

AFFORDABLE HOUSING IN THE TOWN OF TRUCKEE

REASON FOR INVESTIGATION

Last year the Grand Jury investigated the status of affordable housing in Nevada County. This year, the Grand Jury wanted to investigate the status of affordable housing in the Town of Truckee, since Truckee had recently performed a 5-year update of their Housing Element. The Grand Jury wanted to determine the priority given to the affordable housing issue by the Town of Truckee and the extent to which efforts and resources have been applied to that priority on behalf of the residents.

BACKGROUND

The Housing Element is one of the seven General Plan elements mandated by the State of California. Sections 65580 to 65589.8 of the California Government Code contain the legislative mandate for the Housing Element. State law requires that a Housing Element consist of “an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives and scheduled programs for the preservation, improvement and development of housing” (Section 65583). Every local jurisdiction is required to update the Housing Element component of its general plan every five years and submit it for approval to the Department of Housing and Community Development. The Housing Element must address the following subject areas:

- review of the prior housing element
- housing needs assessment
- land inventory by zoning type
- government and non-government constraints on housing
- quantified objectives of housing units by income level
- public participation, general plan consistency and other general topics, and
- local housing program policies and goals

The 2002 Little Hoover Commission Report entitled Rebuilding the Dream: Solving California’s Affordable Housing Crisis makes this observation: “Two fundamental problems hinder the effectiveness of the housing element law. First, the law requires local governments to plan for housing, but contains no enforcement mechanism. There are few incentives to encourage reluctant communities to adequately plan and no meaningful consequences when they fail to do so.

Second, the focus of the housing element law is on planning rather than performance. So even when jurisdictions have plans approved by the State, local communities do not have to demonstrate that they have done their part to ensure that planned housing actually gets built. General Plans are easily amended to accommodate specific projects, undermining on a project-by-project basis the long-term housing goals.”

METHOD OF INVESTIGATION

The Grand Jury reviewed the Town of Truckee 2004 General Plan Housing Element against the subject areas specified by the California Department of Housing and Community Development. The Grand Jury also interviewed a member of the Town’s planning staff.

Rather than compare the Housing Element against each of the subject areas, the Grand Jury chose to focus on those subject areas that appeared to have the largest impact on the development of affordable housing.

FINDINGS

1. Review of the prior housing element:
 - a. The Town of Truckee has taken significant steps to achieve goals and objectives set in the previous Housing Element, which was adopted in 1996. These housing goals, and the Town’s success in meeting them, are summarized in the following table.

Previous Housing Element Objectives for the Various Income Levels

Program	Very Low	Low	Moderate	Above Moderate
1994 New Housing Construction Goals	60	100	200	500
Actual Production 1994 to May 2003*	100	100	50	1,577

*Town of Truckee Community Development Department, June 2003; Department of Finance, Housing and Population Estimates, January 1994 to June 2003.

- b. The Town of Truckee met or exceeded its very low, low, and above moderate income housing production objectives. Truckee did not meet its moderate-income housing goal partially due to the absence of new unsubsidized multifamily rental construction and escalating prices that placed most new “for sale” homes out of reach of moderate-income households.
2. Housing needs assessment:

The Sierra Planning Organization (SPO) developed the regional housing needs allocation for the Town of Truckee. The housing allocation covers the planning period from January 2001 to June 2009. All new units in the Town of Truckee may be counted towards the housing allocation; there is no requirement that these units be for year-round occupancy. The total units allocated to the Town of Truckee by SPO are further divided among each of the four income categories. The housing needs allocation is shown in the following table:

Income Category*	Number	Percent of Total Units
Very Low - below \$29,500	324	18.6%
Low- \$ 29,500 to \$47,200	309	17.7%
Moderate - \$47,200 to \$70,800	408	23.4%
Above Moderate – above \$70,800	704	40.3%
Total	1745	100%

Source: Regional Housing Needs Plan, Sierra Planning Organization, 2002

*Area Median Income for the Truckee area is \$59,000 for a household of 4

2. Constraints on housing:

- a. The constraints on producing more affordable housing in the Town of Truckee are primarily due to the free-market forces and lack of financial assistance programs. The Town of Truckee continues to experience rising costs both for rental units and for ownership units. Much of the housing demand originates from second homebuyers and not persons who live and work in Truckee year round. This places significant housing pressures on local households that are priced out of the market by higher income households whose permanent residences are elsewhere.
- b. The Town of Truckee also receives seasonal housing pressures from the influx of resort workers during the winter season. These persons often have lower incomes and need housing only during the work season. Overall, Truckee’s housing market is impacted from both upper-end second homeowners and lower-end seasonal workers.
- c. The projected employment growth in retail employment will cause additional housing pressures as more workers attempt to find affordable housing, given the generally low wages paid to retail workers.
- d. Permit and mitigation fees affect housing costs. The fee structure for a typical 2,000 sq. ft. home in the Town of Truckee is shown in the table below.

Planning and Application Fees for Housing 2004

Building Permit & Plan Check	\$ 4,316
Plan Check (Master plan check only)	866
Traffic Impact Fee	2,035
Fire Mitigation	720
Park & Recreation Mitigation	800
School Facility	4,280
Wastewater Treatment Plant	4,000
Sewer Connection	1,525
Water System	4,052
Total	\$22,594

Source: Town of Truckee Housing Element, April 2004

- e. Truckee does not have the financial resources or sufficient staff to undertake major housing assistance programs without substantial backing by state or federal agencies. The limitations on availability of outside assistance programs act as a constraint to the provision of affordable housing.
4. General topics:
 - a. In the Town of Truckee, people with special needs include seniors, the disabled, single female heads of household, and seasonal workers. These people need access to housing and will be competing with other low-income groups for affordable housing. Meeting the Town's housing needs will depend, in large part, upon the availability of private funding sources and funding levels of state, federal and county housing programs.
 - b. The Town recognizes that many market rate housing developments have been built at densities below their allowed density. The Town plans to encourage developers to achieve their allowed densities within medium and high-density residential zones. The Town has also developed a density bonus program (program H.1.2.3) to encourage the development of affordable housing.
5. Local housing program goals:
 - a. Housing goals and policies are established to guide the development, rehabilitation and preservation of a balanced inventory of housing to meet the needs of present and future residents of the Town. Truckee has proposed 44 housing programs to help increase the affordable housing stock within the Town. Thirty-five of the programs depend on general fund monies. Seven of the programs are funded from state and federal grants and two programs are funded from tax financing.
 - b. The Town of Truckee provides development incentives for affordable housing. For example, a qualifying residential project will receive a waiver or reduction of planning application fees, building permit fees, and mitigation fees.

CONCLUSIONS

1. The Town of Truckee Housing Element addresses the issue of affordable housing from the perspectives of geography, population demographics, workforce mix, free-market forces, employment growth, community values, and the availability of vacant land. These perspectives tend to dictate the local solutions to addressing the issue of affordable housing.
2. The Town of Truckee can address the affordable housing issue in three ways:
 - Locate available land, create zoning and develop policies and procedures to encourage the construction of affordable housing. Free-market forces will then dictate the type of housing that actually is built.
 - Develop financial incentives and the political will to encourage the construction of affordable housing. These actions will work to increase the affordable housing stock.
 - Develop financial assistance programs to help residents purchase affordable housing. These actions will help residents get a "jump-start" into the housing

market.

3. Free-market forces appear to be a major deterrent to the production of housing affordable to people in very low, low, and moderate-income levels. For these households, single-family home ownership will remain an unfulfilled dream unless the Town of Truckee becomes an advocate for the production of affordable housing.
4. Without state, federal, and local financial subsidies, few housing units affordable for the very low, low, and moderate-income families will be built. Consequently, cities are concentrating on meeting the needs of their local workforce population with housing to accommodate the above moderate-income level households.
5. The Town of Truckee permit and mitigation fee structure adds an additional \$22,594 to the cost of a 2,000 sq. ft. housing unit. These fees provide benefits to the Town as a whole, but they also work to raise the bar of affordability for low and moderate-income households.
6. The Town of Truckee Housing Element notes: “The common perception of affordable housing by the public is that it is undesirable in their community. This may constitute a constraint on a local jurisdiction’s ability to approve otherwise appropriate projects. Long-term education, superior project design, and economically integrated projects, may help alleviate these constraints.”

RECOMMENDATIONS

The Grand Jury recommends:

1. The Truckee Town Council should direct the Department of Community Development to continue to pursue state and federal grants that would apply to increasing the affordable housing stock in the Town of Truckee.
2. The Truckee Town Council should direct the Department of Community Development to research the possibility of funding some portion of their housing programs from a more broad-based system rather than depending so much on general fund monies.
3. The Truckee Town Council should direct the Department of Community Development to prioritize the housing programs that depend on the general fund for implementation to ensure the most beneficial programs survive budget pressures.
4. The Truckee Town Council should direct the Department of Community Development to seek out the state and federal housing subsidies that would help renters and homebuyers to become first-time homeowners.
5. The Truckee Town Council should adopt a Below Market Rate (BMR) Ordinance and/or revise the present density bonus to require a fixed percentage of affordable housing units in all new single-family housing developments.

Truckee cc & judge review

6. The Truckee Town Council should direct the Department of Community Development to examine other housing programs such as the Grass Valley Workforce Housing Project and apply the best features of these programs to Truckee's housing needs.
7. The Truckee Town Council should direct the Department of Community Development to continue the policy of waiving permit and mitigation fees for housing projects that qualify for the Town's incentive programs.

RESPONSES

Truckee Town Council by October 4, 2004

Town Council

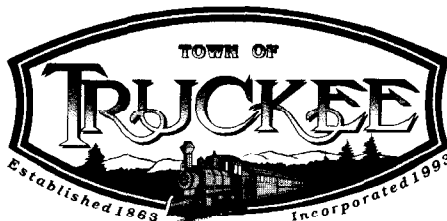
Joshua Susman, Mayor

Craig Threshie, Vice Mayor

Ronald Florian, Councilmember

Ted Owens, Councilmember

Beth Ingalls, Councilmember



Department Heads

Stephen L. Wright, Town Manager

Scott Berry, Chief of Police

J. Dennis Crabb, Town Attorney

Tony Lashbrook, Community Development

David M. Heath, Administrative Services Director

Judy Price, Town Clerk

Alex Terrazas, Assistant to the Town Manager

Daniel Wilkins, Public Works Director / Town Engineer

August 25, 2004

Honorable Ersel L. Edwards
Presiding Judge
Nevada County Superior Court
201 Church Street
Nevada City, CA 95959

RECEIVED

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REVIEWED
9-12-04
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Re: Response to Grand Jury Report Town of Truckee - Affordable Housing

Dear Judge Edwards:

This letter constitutes the response of the Town of Truckee to the recent Grand Jury Report regarding affordable housing issues within the Town.

FINDINGS

The Town agrees with Finding 1 (a) and (b). The Town has initiated efforts to target the creation of affordable "moderate" income households. These include requirements to provide 32 "moderate" for-purchase Town Homes in the Boulders project and 133 "median" and "moderate" income units for-purchase units and 21 "median" income rental units in the Gray's Crossing project. The Boulders project has constructed and offered for sale approximately 18 of the required 31 units and Gray's Crossing has just installation of infrastructure installation in phase 1 with the first "moderate" income units being available as soon as the fall of 2005.

The Town agrees with Finding 2 (a) (b) (c) (d), and (e). It should be noted, however, that the table in the Grand Jury report continues an error in the 2004 draft Housing Element Update which overstated the building permit and plan check fees on a 2000 sq. ft. house. The correct fee for such a house including a garage is \$2460 which reduces the Total line in the table from \$22,594 to \$20,718.

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Community Development: 530-582-7820 / Fax: 530-582-7889 / e-mail: cdd@townoftruckee.com

Animal Control/Vehicle Abatement: 530-582-7830 / Fax: 530-582-7889 / e-mail: animalcontrol@townoftruckee.com

Police Department: 530-550-2328 / Fax: 530-550-2326 / e-mail: policedepartment@townoftruckee.com

The Town agrees with Finding 4 (a) and (b).

The Town agrees with Finding 5 (a) and (b).

CONCLUSIONS

The Town agrees with Conclusion 1 through 6 as set forth in the Grand Jury Report.

RECOMMENDATIONS

Recommendation Number 1 has been implemented. The Town Council has directed staff to seek funding opportunities to improve the availability of affordable housing within the Truckee Community. The draft Housing Element Update, which has been preliminarily approved by the Town Council, contains much stronger policies related to seeking grant funds for new housing construction than are contained in the existing Housing Element adopted in 1996. See proposed Programs 5.1.1, 5.1.5 and 5.1.8.

Recommendation Number 2 has been implemented. In addition to the actions described above, the Council has established a Redevelopment Agency and Project Area in a portion of Town that results in financial resources to eliminate blight. Twenty per cent of the tax increment proceeds must be expended on affordable housing.

Recommendation Number 3 has been implemented. The Town Council has recently acted to establish an Affordable Housing Implementation Working Group in part to provide guidance on how to best utilize general fund based incentives to leverage the maximum number of affordable housing units.

Recommendation Number 4 has been implemented. See response to Recommendation 1.

Recommendation Number 5 has not yet been implemented but has a time frame for implementation. A policy supporting this action is contained in the draft Housing Element Update- see program 1.3.2.- the Affordable Housing Implementation Working Group will begin work on this ordinance this year.

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Recommendation Number 6 is in the process of being implemented. The Town is committed to examining all relevant programs that might provide effective models to improve the availability of affordable housing in our community. Truckee staff is specifically monitoring the Grass Valley Workforce Housing program.

Recommendation Number 7 has been implemented. The direction is provided in the existing Housing Element, the draft Housing Element update (program 3.1.5) and the Town's Development Code (section 18.32.030 B 5).

If there are any questions, or the Town can be of further assistance, please contact Steve Wright, Town Manager at 530-582-7700.

Sincerely


Joshua Susman
Mayor, Town of Truckee